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# Philippine Technocracy and the Politics of Economic Decision-Making: A Comparison of the Martial Law and Post-Martial Law Periods

Teresa S. Encarnacion Tadem\*

This article looks into the factors which have strengthened as well as weakened Philippine technocracy during the martial law (1972–86) and post-martial law periods. During the former, technocracy drew its strength from the support it received from President Ferdinand E. Marcos and the country's major international lending creditors, i.e., the International Monetary Fund (IMF) and the World Bank. Both Marcos and the IMF/World Bank shared the technocrats' economic vision of liberalization and export-oriented industrialization. Among the factors which hindered the technocracy's bargaining leverage on the other hand were the inability of the leadership to address the economic crisis as brought about by the oil price hike in the early 1980s and the political crisis which was given impetus with the assassination of ex-Senator Benigno Aquino. As for the post-martial law period, the technocracy basically pursued the same economic policy liberalization as during the martial law period with an emphasis on privatization and deregulation. Technocratic policy-making was further facilitated in a period of globalization where the transnational character of economic policy-making further protected the technocracy from public criticism. Its economic policy-making, however, confronted stiff challenges from civil society as well as patronage politics.

**Keywords:** Philippine technocracy, Ferdinand E. Marcos, International Monetary Fund, World Bank, liberalization, Gloria Macapagal-Arroyo, civil society, patronage politics

## Introduction

Despite their being banished to the “Hall of Shame” during the 1986 People Power Revolution in the Philippines, technocracy has continued to persist in the country's transition from authoritarian rule to democracy and up to the present. Instead, however, of being called “technocrats,” they are now referred to as “economic managers.” The

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change in “name” is quite understandable because during the martial law period (1972–86), technocracy became synonymous with the repression which occurred during that era foremost of which was economic development at all costs, e.g., dislocation, militarization, and elimination of communities which got in the way of development projects. This reputation, therefore, earned the technocrats the “(dis)honor” of being referred to as the third leg of the stool which propped up the authoritarian regime, the other two of which were the military and Marcos’ relatives/cronies. Thus, the administrations which followed that of the Marcos government were conscious not to “hire” any of these technocrats, particularly, those who came from the World Bank (hereinafter referred to as WB) and the International Monetary Fund (hereinafter referred to as IMF). But the post-martial technocrats, however, continued their predecessors’ policies of liberalization, free competition, and free trade but now under a neoliberal economic dispensation. The question which emerges is why this is the case when technocracy in the Philippines is not able to sustain the economic growth which was seen in the 1950s when the country was second to Japan as having the best economy in Asia and then left-behind in the 1970s by its East Asian counterparts as among the newly industrializing countries in the region. In the 1980s, on the other hand, Philippine economic policies failed to bring it at par with its Southeast Asian neighbors, i.e., Thailand, Malaysia, and Indonesia, which all became New Asian Tigers. The latest blow to the country is that socialist Vietnam, a late comer to the capitalist world, has economically overtaken the Philippines.

This article, therefore, explores the factors which have strengthened as well as weakened Philippine technocracy during the martial law and post-martial law periods. It shows that in general the political leverage of the technocrats came from the support they have received from the leadership who shares their economic vision and the country’s major international lending creditors, the IMF and the WB. The weakening of their political clout, on the other hand, is brought about by the inability of the leadership to address the political and economic crisis. The first section of this article will discuss the rise of Philippine technocracy during the pre-martial law period (1960s–72) and the economic debates which ensued during that period concerning the trajectory of Philippine development. This establishes the very foundation of the strength of Philippine technocracy. The second section, on the other hand, examines the crucial role they played during the martial law period, particularly the economic perspectives they espoused and the challenges these confronted. And lastly, the third section will discuss where Philippine technocracy is headed in a period of “elite democracy” as it confronts challenges to its neoliberal development paradigm and massive corruption.

## Defining the Technocracy and Their Development Vision<sup>1)</sup>

Technocracy is a rule by experts, a temporary form of rule that sometimes emerges after a period of poor governance. The term implies rule by specialists with expertise in non-political subjects, often economics and engineering.<sup>2)</sup> These “engineers” comprised a “critical new stratum in the industrial production process.”<sup>3)</sup> They are also referred to as “the scientists, including physicists, mathematicians, chemists, engineers, computer program and others who work in varying degrees of applied or pure research” (Glassman *et al.* 1993, 84). “Historically, the theory and practice of technocracy have been political and ideological responses to industrialization and technological progress” (Glassman *et al.* 1993). The trend toward the appointment of technocrats into key government agencies in the Philippines began during the Macapagal Administration (1960–64) where Filipino graduates from the best foreign universities were recruited to government agencies. These included among others Sixto K. Roxas,<sup>4)</sup> and Armand Fabella<sup>5)</sup> who both served as Director-General of the Program Implementation Agency (hereinafter referred to as PIA)<sup>6)</sup> during the time of President Diosdado Macapagal. During this period, the technocracy, through their respective agencies, pressed for an open door policy to foreign investments and foreign loans, mainly from the IMF. Roxas was also known to be the architect of the Philippine financial system.

It was, however, under the first and second terms of the Marcos Administration (1965–71) when more technocrats were recruited into government and further importance was given to them. Among those Marcos recruited during this period were Cesar

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1) For further details, please see Tadem (2005).

2) Hague and Harrop (2004, 99). The word was coined by William Smyth, “an engineer based in California who founded Technocracy, Inc., in 1919.”

3) Veblen (1963) in Glassman *et al.* (1993).

4) Roxas graduated summa cum laude in economics from the elite all-male school of Ateneo de Manila. He went on to obtain an M.A. in Economics at Fordham University.

5) Fabella earned an economics degree from Harvard University and an M.A. in Economics from Jose Rizal College which is owned by his family. He also pursued post-graduate studies at the London School of Economics. His wife is a niece of Sixto Roxas III.

6) The PIA was organized to implement the government’s socio-economic plan but it seemed to be more concerned in their implementation. It was created on August 24, 1962 to be President Diosdado Macapagal’s technical staff. The agency conducted socio-economic planning, formulated policy recommendations, established priorities, and programmed the utilization of public funds, manpower resources, materials, and equipment (Official Directory of the Republic of the Philippines 1955, 153).

E.A. Virata<sup>7)</sup> and Placido Mapa Jr.<sup>8)</sup> Virata brought in Gerardo Sicat Jr.,<sup>9)</sup> after reading an article on his views supporting trade and export liberalization which Virata supported.<sup>10)</sup> Another technocrat closely associated with Virata is Manuel Alba Jr.,<sup>11)</sup> who was his student and faculty at the University of the Philippines College of Business Administration (hereinafter referred to as UP CBA) when Virata served as Dean from 1960 to 1967. Also identified with Virata's economic orientation was Vicente Paterno<sup>12)</sup> whom Virata together with Mapa brought in as Chairman of the Board of Investments in 1970. Armand

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- 7) Virata obtained a B.S. in Mechanical Engineering and B.S. in Business Administration in 1952, University of the Philippines (hereinafter referred to as UP) after which he went on to become an instructor at the UP College of Business Administration (UP CBA). A year later, he pursued an M.B.A. in Industrial Management from the Wharton Graduate School, University of Pennsylvania in 1953. He became UP CBA Dean before he joined the government in 1967. During the pre-martial law period, Virata served among others as Presidential Economic Staff Deputy Director-General for Investments from 1967 to 1968; Undersecretary of the Department of Commerce and Industry from 1967 to 1968; Director and Acting Chairman of the Board of Directors of the Philippine National Bank from 1967 to 1969; and Secretary of Finance from 1970 to 1986.
  - 8) Mapa graduated from Ateneo de Manila in 1955, magna cum laude and pursued post graduate studies at St. Louis University from 1955 to 1957 and obtained an M.A. and Ph.D. in Economics from Harvard University. He served as Undersecretary of Finance in 1965, Deputy Director General, Program Implementation Agency, Office of the President in 1966, and Director General, Presidential Economic Staff, Office of the President in 1966.
  - 9) Sicat earned three degrees from the UP: B.S. Foreign Service (cum laude), 1957; A.B. (cum laude), 1958; and M.A. in Economics, 1958. He earned his Ph.D. in Economics in 1963 at the Massachusetts Institute of Technology (MIT) in Cambridge, Massachusetts, the United States. Sicat was Chair of the National Economic Council during the pre-martial law period.
  - 10) Virata, Cesar E.A. 2008. Interview by Cayetano Paderanga Jr. and Teresa S. Encarnacion Tadem. Tape recording. June 16. RCBC Plaza, Makati City, Philippines.
  - 11) Alba graduated Bachelor of Science with a Business Administration degree from the UP (Accounting). In 1958, he obtained his Professional License as a Certified Public Accountant. In 1957, he was recruited by Virata when he was Dean of the UP CBA as assistant instructor (to full professor in 1962) of Business Policy, Business Administration and Marketing, College of Business Administration. From 1961–64, he served as Assistant Dean and Acting Dean, College of Business Administration and Director, Graduate Studies Program, UP CBA. Virata was responsible for obtaining a fellowship for him to obtain a Master of Business Administration (Marketing and Transportation) at the University of Minnesota in 1961. He later on graduated Ph.D. in Management Science and Business Administration (with Marketing, Economics, Transportation Management, Operations Research and Social Psychology as specialized areas) at Northwestern University (Chicago and Evanston, Illinois, the United States) in 1967. He served in 1971 as Executive Director, Philippine Presidential Commission to Survey Philippine Education (with the Commission chaired by former Department of Education, Culture and Sports [DECS] Secretary, Onofre D. Corpuz).
  - 12) Paterno graduated Bachelor of Science in Mechanical Engineering at the UP in 1948 where he and Virata were contemporaries at the UP College of Engineering. He obtained a Master of Business Administration at Harvard University in 1953.

Fabella continued on from the Macapagal Administration to join the Marcos Administration. The expertise, of these technocrats, continued to be drawn mainly by their access to education both locally and abroad, i.e., they were US graduates in economics, law, and business administration.<sup>13)</sup>

These technocrats exemplified the concept of “technocracy” which emerged in the 1950s as a spin-off of the Keynesian revolution which placed emphasis on the role of government intervention in the economy. Technocracy was looked upon as a select few who had the expertise in economics management and thus could take on the lead in this endeavor on behalf of the government. As developed further by the IMF and the WB in the 1960s, technocracy was made to look at itself as an elite corps of experts who have the last word in development planning (Bello *et al.* 1982, 28). This view allies itself closely to the emergence of what is referred to as the “new technocrat” which has been looked at as an “important element in administration not just in production” (Glassman 1997). Moreover, they are regarded as “knowledge experts” and are “employed and controlled by the middle and elite managers of the corporation, government bureaucracy and universities of which they are affiliated” (Glassman *et al.* 1993). An interesting phenomenon is that “technocrats do become members of the management hierarchy in some cases, but they accede to power *not as technocrats but as managers*.”<sup>14)</sup> The technical expertise of the technocrats therefore establishes their source of political leverage which is not only needed by the leadership but by international lending institutions such as the IMF and the WB. Their economic expertise was also needed in a period whereby the Philippine economy was growing and expanding of which the state plays a primarily role.

#### *Nationalists vs Free Market Technocrats*

The technocrats whom Marcos would maintain when he declared martial law, however, also possessed another important political and economic pertinence to the leadership and this was the economic vision they carried. One of these was Sicat who led an attack on the country’s import substitution policy and advocated for an export-oriented industrialization which they argued would benefit the country which has an abundant surplus of labor and natural resources.<sup>15)</sup> Moreover, these technocrats campaigned for the decontrol

13) The others were Secretary of Trade and Industry Vicente Paterno and his successor Roberto Ongpin, Secretary of Agriculture Arturo Tanco, and Central Bank Governor Placido Mapa, all of whom got their degrees from Harvard University.

14) Kellner and Heuberger (1992) in Glassman *et al.* (1993).

15) Lichauco (1981).

program which they described as a return to free trade. These technocrats some of whom have undergone training with the IMF and the WB which advocated for these policies, assumed the role of the major implementers of “free enterprise” in the country. They lectured the Filipino business community to “rationalize their operations, stop asking for government protection and meet their multinational competitors on an equal basis in the free market.”<sup>16)</sup> This highlighted the growing rift between the two crucial economic planning agencies, i.e., the technocrat-dominated PIA and the traditionally-nationalistic National Economic Council (hereinafter referred to as NEC)<sup>17)</sup> headed by Hilarion Henares.<sup>18)</sup> The former won out as the leadership preferred their economic vision over the latter.

Despite the leadership’s support, the technocrats during the pre-martial law period also had to contend with the powerfully entrenched politico-economic elites who were mainly represented by vast landowning families who were expanding to the manufacturing sector in the 1950s. Dealing with them highlighted the differences among the technocrats in the Philippine Economic Staff (hereinafter referred to as PES). For example, Sicat wanted a more rapid approach to liberalization but Virata was more cautious as not to antagonize the influential political families who were against this. Virata supported the concept of measured capacity which was advocated by David Sycip, President of the Philippine Chamber Industries whereby one has to determine the national market plus export to calculate measured capacity.<sup>19)</sup> This was to prevent wasting capital by over-investment and was seen to address the issue of having to deal with different families in the country wanting to invest on the same thing. Sicat did not agree with this as it went against the principles of free market economy. But he ultimately followed Virata.<sup>20)</sup>

The continued rift between the nationalist and the free market advocates was also highlighted in the Philippine Congress during the pre-martial law period when Virata, pushed for the passing of the 1967 Investments Incentives Act through the support of Marcos’ key party mates in the Nacionalista Party namely, Congressman Lorenzo

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16) Constantino and Constantino (1978).

17) The NEC which was reconstituted by Secretary of Finance Miguel Cuaderno during the time of President Manuel Roxas was tasked to prepare economic plans and to define the country’s major economic policies and objectives. It, however, has no implementing powers, except on foreign economic assistance (*The Manila Times*, December 25, 1947; January 17, 1955; Philippine Government Directory [1980, 1]; Araneta [1965, 247]).

18) Henares is a graduate of Ateneo de Manila, UP, and obtained his Ph.D. in Economics from the MIT.

19) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem. Tape recording. December 19. RCBC Plaza, Makati City, Philippines.

20) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem. Tape recording. November 21. RCBC Plaza, Makati City, Philippines.

Sarmiento who was the chairman for economic affairs in the House of Representatives and Senator Jose Diokno who was the chairman of the Committee on Economic Affairs in the Senate.<sup>21)</sup> They succeeded to have the investments act passed despite opposition from no less than Senate President Gil Puyat who was also the head of the National Economic Protection Association (NEPA). Puyat was backed by politico-economic families in Congress who feared that the investments act will undermine their local businesses, such as textile, cement, flour milling among others. They wanted more protection for their industries and further support for the import-substitution scheme rather than an export-oriented industrialization which was being pushed by the Virata technocrats.<sup>22)</sup> Because of this, the Virata-led technocrats, could not pursue the country's entry in the General Agreement on Trade and Tariff (GATT) to further liberalize the economy. The Philippines, therefore, missed out on the Kennedy Round.<sup>23)</sup> An important policy which was also pursued by the Virata-led technocrats with the backing of Marcos was the devaluation of the peso to give further impetus to an export-oriented industrialization policy. For the Virata free-market technocrats, they needed Marcos to convince the influential families engaged in import-substitution who would be adversely affected by this, to accept such a policy.<sup>24)</sup>

During the pre-martial law period, therefore, the political leverage of the martial law technocrats would come from their technical expertise and the support they received from President Marcos as well as his political allies in Congress. Such a support was able to neutralize their two major nemesis which were the technocrats in the NEC and the politico-economic elites in Congress and the business community. For the latter, such a "neutralization" came also in the form of negotiations among politicians and members of the business community which also the martial law technocrats "compromising" their economic policies. But in general, they believed that they were able to get what they wanted.

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21) Virata, Cesar E.A. 2007. November 21. RCBC Plaza, Makati City, Philippines.

22) Virata, Cesar E.A. 2007. November 21. RCBC Plaza, Makati City, Philippines.

23) Virata, Cesar E.A. 2007. November 21. RCBC Plaza, Makati City, Philippines; and Virata, Cesar E.A. 2008. Interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem. Tape recording. May 2. RCBC Plaza, Makati City, Philippines.

24) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama and Teresa S. Encarnacion Tadem. Tape recording. November 23. RCBC Plaza, Makati City, Philippines.



## The Philippine Technocracy and Economic Decision-Making during the Martial Law Period<sup>25)</sup>

The prominence of the free-market technocracy clique in the Philippines further gained ground during the martial law period, i.e., 1972–86. Although Virata personally felt that there was no need for martial law as Marcos was able to have his economic policies passed, he also saw the advantage of not subjecting the technocrats' policies to time-consuming debates in the Philippine Congress. Martial law for him allowed their immediate implementation.<sup>26)</sup> This was because executive, legislative, and judicial powers were all vested in the President who gave his technocrats the liberty to run the country's economy. The right to strike, picket, demonstrate, and other forms of protest were all taken away to give a facade of political stability in order to attract more multinational corporations. This enabled the efficient pursuit of technocracy's pet projects. Thus, when "supported by a strong political leader, these specialists were able to impose harsh monetary remedies on countries where financial discipline had often taken second place to political requirements" (Hague and Harrop 2004, 99). Such a phenomenon was also common in Third World societies whereby the

bureaucracy has undoubtedly played a positive role in most authoritarian regimes that have experienced rapid economic growth. (. . .) O'Donnell (1973) coined the term "bureaucratic authoritarianism" to describe Latin American countries such as Brazil and Argentina in which bureaucratic technocrats, protected by a repressive military government, imposed a more modern economy against opposition from social groups. (*ibid.*, 306)

A capitalist authoritarian state-led development under an authoritarian regime also augured well for the technocrats as their

emphasis on the rational coordination of institutional processes to the functioning requirements of the productive system gives rise to a uniquely administrative or managerial conception of the state. Historically technocrats have viewed the state as a positive instrument in the pursuit of economic and social progress. The reason for this stems from the state's central position in society. Essentially, the state is the only institution capable of engaging in a comprehensive system wide planning and management. (Fischer 1989, 25)

Technocracy's attitude towards martial rule in the country was expectedly shared by the United States and its financial institutions, i.e., the WB and the IMF. They saw

25) For further details please see Tadem (2005).

26) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama and Cayetano Paderanga. Tape recording. December 13. RCBC Plaza, Makati City, Philippines.

how local technocracy was having a difficult time implementing policies favoring foreign capital because of opposition from the nationalist economists among others. Under an authoritarian regime, any opposition to the government could easily be silenced (Tadem 1985). During the martial law period, therefore one witnessed the emergence of the rule by experts which “provided an instance where technical, depoliticized views of an educated elite came to dominate the political agenda” (Hague and Harrop 2004, 99). Technocracy inevitably became one of the major pillars of the martial law regime not only because of their internationally recognized economic expertise but more importantly, because they provided the leadership with a credible development program which was endorsed by the agents of foreign capital. Major aspects of this were the transformation of the Philippine economy into an export-oriented one and national progress through the massive entry of foreign capital, i.e., foreign investments and loans as well as the removal of all restrictions on trade (Tadem 1985).

The free-market technocracy clique greatly benefited from this led by Virata who retained his post as Secretary of Finance. He was supported by Gerardo Sicat Jr. who became the first Director-General of the National Economic and Development Authority (hereinafter referred to as NEDA) and concurrent Secretary of Economic Planning. He served in this capacity until July 1981. The NEDA was the result of the fusion of the PIA and the NEC, the two economic agencies of technocracy which Marcos abolished in 1972. Mapa served as Executive Director of the International Bank for Reconstruction and Development (WB in 1979) having previously worked in the IMF in 1972.<sup>27)</sup> Paterno continued to serve the martial law regime as chairman of the Board of Investments until 1979 and concurrently Secretary of Industry from 1974 to 1979. Alba, on the other hand, went on to become Minister<sup>28)</sup> of Budget from 1981 to 1986.<sup>29)</sup> Virata also brought in another of his bright student and professor and former Dean of UP CBA, Jaime Laya<sup>30)</sup> who served as the Secretary (and then Minister in 1981) of Budget from 1975 to 1981

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27) Ibon Facts and Figures (1984).

28) In 1981, the Philippines shifted from a presidential to a presidential-parliamentary system, thus the change in reference to the titles and agencies from Secretaries of Departments to Ministers of Ministries.

29) Before that, Alba upon the declaration of martial law continued with his government position as Executive Director, Philippine Presidential Commission to Survey Philippine Education until 1973. From 1975 to 1981 he became NEDA Deputy Director-General (Undersecretary). He was appointed as Deputy Secretary of the Budget from 1979 to 1981 while concurrently Deputy Director-General of NEDA.

30) Laya graduated B.S. in Business Administration at the UP in 1957. He obtained his M.S. industrial management at Georgia Institute of Technology in 1961 and Ph.D. in financial management at Stanford University in 1966.

and Chairman of the Monetary Board and Governor of Central Bank of the Philippines from 1981 to 1984. He later on became Minister of Education, Culture and Sports from 1984 to 1986. Through these economic agencies, i.e., Department of Finance, Department of Budget, NEDA, the Central Bank, Department of Industry, and Board of Investments, the Virata-led clique continued its role as the point person in accessing and negotiating loans from international lending agencies, mainly the WB, the IMF, and the Asian Development Bank (hereinafter referred to as ADB). There were, however, also differences within this faction with Sicat wanting a more rapid approach to export-oriented industrialization and liberalization but with Paterno wanting a more cautious approach.<sup>31)</sup> Conflict within this faction was settled by Virata.<sup>32)</sup>

### *Challenges to the Free-market Technocrat Faction*

During the martial law period, there was, however, a different set of challenges, which the Virata-led faction of the technocracy confronted. This was no longer coming from the Philippine Congress but from other key players in economic decision-making.

One technocrat which the Virata technocrat clique had differences with was Roberto “Bobby” Ongpin<sup>33)</sup> who became head of the Department of Trade and Industry (hereinafter referred to as DTI) from 1979 to 1986 when Marcos decided to fuse the Board of Investments and Department of Trade into one. In the process, the Virata faction lost one of its chief ally in this agency, Paterno as his position was abolished and he was made Secretary of Public Works and Highways. The Virata faction did not like Ongpin’s push for the country to pursue one of ASEAN’s 11 industrial projects in the 1970s which was to build an integrated steel mill. Virata felt that the country could not afford the cost of this.<sup>34)</sup> Ongpin, together with Marcos, however felt that this was necessary in order for the country to have a heavy industrial base. The IMF/WB, like Virata, did not also adhere to this scheme which led to the mothballing of the 11 major industrial projects because

31) Paterno, Vicente E. 2008. Interview by Yutaka Katayama, Temario Rivera, and Teresa S. Encarnacion Tadem. Tape recording. August 15. 11th Floor, Columbia Tower, Ortigas Ave., Mandaluyong, Philippines.

32) Virata, Cesar E.A. 2007. December 19. RCBC Plaza, Makati City, Philippines.

33) Ongpin obtained his Bachelor’s degree from Ateneo de Manila and MBA from Harvard University. Paterno replaced Baltazar Aquino as Secretary of Public Works and Highway, who did not have a good reputation. Paterno did not like his role as “sanitizer” and in 1981 left the Marcos government and became a member of the opposition (Virata, Cesar E.A. 2008. Interview by Cayetano Paderanga and Teresa S. Encarnacion Tadem. Tape recording. September 30, RCBC Plaza, Makati City, Philippines.)

34) Virata, Cesar E.A. 2008. Interview by Cayetano Paderanga, Temario Rivera, and Teresa S. Encarnacion. Tape recording. July 29. RCBC Plaza, Makati City, Philippines.

of the failure of the state to acquire foreign loans to finance this.<sup>35)</sup>

The Virata technocracy faction did not also have the power over the Marcos cronies who were in control of certain key agencies, namely the sugar and coconut industries. These were mainly Marcos “chief cronies,” Roberto “Bobby” Benedicto and Eduardo “Danding” Cojuangco in the latter. These two industries also happen to be the major export dollar earners for the country. Virata was against the coconut levy which was imposed by Cojuangco on the coconut farmers.<sup>36)</sup> He argued that this levy should be abolished because it only further depresses the already low price paid to farmers for their copra and was not at all for the benefit of the coconut farmers (Bowring 1981, 50–52). Virata also wanted to put an end to the middle-man monopoly by crony-controlled and state-created bodies in both the coconut and sugar industries. This was in compliance with the wishes of the IMF/WB group (*ibid.*). President Marcos initially sided with Virata and agreed to have the levy abolished but later reversed his decision during a cabinet meeting when Virata was abroad. Virata was said to have offered his resignation which Marcos refused. The former just consoled himself by saying that he would not abandon the struggle for economic liberalization (*ibid.*). The Virata faction also could not totally restrain the lavish spending of the First Lady. Mrs. Marcos, for example got USD111,111 from the coffers of the Ministry of Human Settlements which she headed (Sacerdoti 1983). She also had her own technocrats led by Conrado “Jolly” Benitez.<sup>37)</sup>

The technocrats, therefore, basically saw themselves as the bulwark against crony capitalism (Business International Research Division 1980). This move by the Virata faction was supported by the IMF/WB who also feared that crony monopoly of vital industries in the Philippines would ward off present as well as potential foreign investors in the country because of the absence of competition and free enterprise. The IMF/WB also saw that corruption coupled with growing mass unrest had to be addressed politically with the lifting of martial law and the declaration of a New Republic in 1981 with Virata as Prime Minister backed by a Cabinet composed of WB technocrats, i.e., Virata’s faction.<sup>38)</sup> What the Virata faction and the IMF/WB, however, underestimated was the disillusionment of the business community, an important ally of the Virata faction against crony capitalism, with regards to the economic policies particularly with the country’s economic downturn in 1981 onwards which was triggered by the Mexican default of

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35) Lichauco (1981, 60).

36) Virata, Cesar E.A. 2008. May 2. RCBC Plaza, Makati City, Philippines.

37) Benitez obtained his Bachelor’s degree from Ateneo de Manila and M.A. and Ph.D. in Stanford University in development planning and development education, 1970.

38) Bello *et al.* (1982, 28).

1982 leading to the tightening of credit lines to the country.<sup>39)</sup> The business community had a positive view of the technocrats. They “sought to encourage what they perceived as a measure of independence between the technocrats and the cronies” (de Dios 1988, 104). Furthermore, the big business community even perceived themselves as a hold out as a possible constituency for the technocrats against the cronies (*ibid.*, 105). But such a perspective was not sustained with the growing disillusionment of the business community with technocracy’s economic policies. It, for example, articulated that the country’s economic crisis was not only due to the inability of the regime to curb graft and corruption and the lack of accountability of public officers but also because of the failed major economic policies of the technocrats which were formulated without consulting them. Its members accused the technocrats of being “too bureaucratic, arrogant and lacking in practical experience.”<sup>40)</sup> Local businesses also voiced its resentment concerning the bailout of crony companies at the expense of others which did not have the proper connections to the regime and thus could not avail of the regime’s rescue funds (Bello *et al.* 1982, 28). These businessmen showed their disapproval of the technocracy’s blind loyalty to the policies of the IMF/WB group which led to the centralization and the streamlining of the local economy benefitting only the foreign investors and their local counterparts. All these have led to the gradual elimination of small- and medium-scale industries and commercial establishments in the country and foreign domination of the economy (*ibid.*).

Prominent members of the business community, therefore, joined the growing anti-dictatorship movement along with victims of human rights violations and dislocated communities to pave the way for development projects instigated by technocracy. The technocrats were also blamed for encouraging an apolitical and pro-business atmosphere which gave the leadership a “legitimate” excuse to depoliticize the Filipino people. This was implemented in various forms, e.g. the elimination of leaders of national movements and the denial of civilian rights (Stauffer 1979). Repressive labor policies included the prohibition of the right to strike by both the workers and the rural peasantry and the disbandment and constant harassment of labor unions by the state. These actions were implemented with the excuse that these labor activities were a threat to internal security (Lim 1983). The exacerbation of the economic crisis by the political instability caused by the assassination of ex-Senator Benigno “Ninoy” Aquino, a staunch Marcos oppositionist who was deemed to be the next Philippine President if Marcos did not declare

39) Virata, Cesar E.A. 2008. September 30, RCBC Plaza, Makati City, Philippines. Virata, Cesar E.A. 2007. November 21, RCBC Plaza, Makati City, Philippines.

40) Bowring (1981, 50).

martial law, further fueled the anti-dictatorship movement. With the ascendance of his widow, Corazon C. Aquino as the symbol of this movement, this gave the United States an pliable alternative to Marcos. These political events pressured Marcos to call for the February 1986 snap elections where the public believed that Mrs. Aquino was cheated by Marcos paving the way for the 1986 People Power Revolution and with the downfall of Marcos also went with him his technocrats.

The political leverage which the technocrats, therefore, had during the martial law period continued to be the support which they got from the leadership. Such a support, however, was severely compromised with President Marcos' privileging the other power blocs which included no less than the faction of the First Lady and his "chief cronies," Cojuangco and Benedicto. The reality was that "Marcos and his cronies used access to the political machinery to accumulate wealth, and—like the major families of the pre-martial law years—had little loyalty to any particular sector" (de Dios and Hutchcroft 2003, 49). The situation was also not helped much that there were other factions within the technocracy as exemplified by Ongpin and Velasco. One source of political leverage which the Virata-faction could pull from was IMF- and WB-support. This was heightened when these two international lending institutions saw the technocrats as a bulwark against corruption. What ultimately pulled down the technocrats, however, was the country's political and economic crisis leading to the pulling out of US support, and consequently, the IMF's and the WB's, for Marcos. This was further fueled by the anti-dictatorship movement against the authoritarian regime's corruption and human rights violations in general and the withdrawal of business community support for the technocrats in what its members perceived as the government's failed economic policies.

### **The Philippine Technocracy during the Post-Martial Law Period<sup>41)</sup>**

Despite the downfall of the Marcos technocrats, the Aquino Administration (1986–92) and the succeeding administrations of Ramos (1992–98), Estrada (1998–2001), and Arroyo (2001–10) had no problem in recruiting technocrats who shared the same economic perspective, i.e., liberalization, free competition, and free market as their counterparts during the Marcos administration. This is understandable as they generally came

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41) For further details please see Tadem (2005). Because Marcos "lifted" martial law in 1981, people would refer to that year as to the end of martial law. There are those, however, who believe that this was an "artificial" lifting of martial law as Marcos continued to maintain authoritarian powers like Amendment 6 as earlier on discussed in this article. The author is of this view that the article refers to the post-martial law period with the ascendance of Mrs. Corazon Aquino in power.

from the same background as the Marcos technocrats, namely, they were US-educated. Like their predecessors, a number of them also came from the UP, the alma mater of the majority of the technocrats particularly from the UP School of Economics (hereinafter referred to as UPSE).<sup>42)</sup>

The source of political power of technocracy during the post-martial law period would continue to be their economic expertise. But this time, there was a difference of where they were recruited from. During the post-martial law period a number of them came from the banking sector leading to the phenomenon of investment banking millionaires-turned-technocrats. Thus, if the martial law technocrats came from modest background, for example, Virata and Sicat were UP academics, a number of post-martial law technocrats, after making their millions as investment bankers, would take on government positions. This was the case, for example, of President Arroyo's former Finance Minister Isidro Camacho<sup>43)</sup> from 2001 to 2003, and formerly of Deutsche Bank AG and Vincent Perez,<sup>44)</sup> Secretary of Energy from 2001 to 2005 and formerly with Lazard Freres & Co. as bond trader and investment banker. An explanation for this is that in an era of globalization which characterizes the post-martial law years, one has witnessed the emergence of multinational banks playing a crucial role in the economic policies of countries. This was different during the martial law period of the 1970s, when this was largely limited to the IMF and the WB.

In terms of the economic vision, the post-martial law technocrats shared the same concern of their martial law predecessors for a development paradigm which was market-driven and was for an export-oriented industrialization and export-oriented agriculture (Bello 2010). This, however, would be pursued under the neoliberal vision as it translated to a more open economy under the auspices of globalization, privatization, and the free market. Another difference is the diminished role of the state as an authoritarian state-

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42) The UPSE generally provided the technocrats for the position of Director General and Secretary of Planning of the NEDA, e.g., Cayetano Paderanga Jr. under the Aquino Administration. Paderanga obtained his Ph.D. in Economics from Stanford University; Cielito F. Habito under the Ramos Administration. He obtained his M.A. and Ph.D. in Economics from Harvard University; Felipe Medalla who served under the Estrada Administration. Medalla obtained his Ph.D. in Economic from Northwestern University; and Dante Canlas who served under the Arroyo Administration. Canlas obtained his Ph.D. in Economics from the UP. UP academics would also be tapped for the position of Budget Secretary, e.g., Benjamin Diokno of the UPSE and the late Emilia Boncodin of the UP College of Public Administration and Governance during the Estrada and Arroyo Administrations respectively.

43) Camacho obtained an MBA from Harvard University.

44) Vincent S. Perez for 17 years worked as credit analysis, investment banker, debt trader and private equity investor. He obtained his Bachelor's degree in business economics from the UP, Diliman and an MBA from the Wharton Business School of the University of Pennsylvania in 1983.



led development during the Marcos period which was associated with cronyism and patronage politics and inefficiency. Thus, the goal was to seek state transformation into a minimalist and a regulatory state. This is because the liberal doctrine, as embodied in the tenets of globalization, argues that there should be no government intervention with market forces for economic growth to occur. Furthermore, market imperfections are not justifications to intrusive regulations because the interplay of competitive forces will benefit the consumers in the long run. Moreover, for the neoliberal agenda, the state is “less concerned with issues of sovereignty and power than with creating efficient institutional structures to facilitate the operation of the market.”<sup>45)</sup>

### *Criticisms from Civil Society*

Whereas during the martial law period such an economic ideology received criticisms from the left movement, during the post-martial law period, the neoliberal paradigm is heavily criticized by civil society. Its critics during these two periods gave similar reasons foremost of which that such a development paradigm is unable to create political opportunity for long term development. A reason for this is that foreign investors can easily leave the host country when the latter ceases to provide them the optimum environment for capital accumulation. “Moreover, emphasis on export would give less attention to the development of a domestic mass following for local products” (Lopez Wui 2006). Another argument is that although the emphasis on export could create more employment for the local workforce because of bigger markets abroad, problems nonetheless arise if importing countries begin to tap other sources offering better quality and priced goods (*ibid.*, 111). Critics of the neoliberal paradigm have pointed out that creating a favorable environment could also mean the repression of workers’ wages. And lastly, the economic policies which the technocrats are propagating are viewed as not addressing the problem of economic redistribution. The argument is that such policies rely on the trickle-down effect which critics argue never seems to happen. Some view it as even compounding further inequalities with advantages being given the private over the public sphere.<sup>46)</sup> Unlike the criticisms during the martial law period which could be parried by

45) Reid (2001, 788) in Ariate (2006).

46) The technocratic policies for economic development has until now failed to address the socio-economic inequalities which characterize Philippine society. Statistics reveal that “the richest five per cent of the households’ account for nearly a third of the national income and the poorest 25 per cent of the households getting only six per cent of the income.” This is according to the World Bank’s *WB Development Report of 2005* (Dumlao 2005). Furthermore, 24.7% of the population are considered officially poor (government statistics) while 70% rate themselves poor based on a Pulse Asia Survey (*Newsbreak*, May 23, 2005, 14).



repressive policies, the same cannot be said for the economic managers in the post-martial law period. Their economic policies are not only questioned by civil society but also subjected to interrogation of Congress as part of the checks-and-balance which goes with a presidential system.

*A. Factors Which Strengthen Economic Decision-Making of Technocrats in the Post-Martial Law Period<sup>47)</sup>*

Despite such a political milieu, however, there are factors in the current dispensation which shield the post-martial law technocracy from intervention in the decision-making process. These include the following:

*The Ideological Hegemony of Neoliberalism*

One is the very dominance of the neoliberal ideology among crucial policy-makers.<sup>48)</sup> Unlike the martial law period whereby the liberal market ideology seemed to be the monopoly of the martial law technocrat, this is not the case during the post-martial law period. What has emerged is that the tenets of neoliberalism “is not only tenaciously adhered to but also nurtured by like-minded academic experts, think-tanks and consultancy firms working closely with government” (Quinsaat 2006, 33). The Philippine Congress is also composed of legislators who are advocates of the neoliberal doctrine. Former President Gloria Macapagal Arroyo, when she was Senator, was responsible for sponsoring bills paving the entry of the Philippines into the World Trade Organization (WTO). Her closest economic adviser Representative Joey S. Salcedo of Albay, a former Wall Street stock market investor, has single-handedly pushed for legislative measures with the participation of the UPSE in minimizing the role of the state in the economy. Thus, the reality is that “only a handful of actors has monopoly in decision-making and these are mostly technocrats appointed by a President. While some interest groups are able to permeate the arena, these are mostly the privileged and powerful, such as the landlord-controlled sugar industry lobbyists” (*ibid.*).

*The Nature of the Policy Environment*

A second factor which shields the post-martial law technocrats from interference in their decision-making process is the policy environment itself. As pointed out, “while the law may appear sufficient, even socially progressive, equally important are the openness and hospitality of the politico-administrative environment to civil society participation in

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47) For further details, please see Lopez Wui *et al.* (2006).

48) For further details, please see Tadem (2005).

policymaking.”<sup>49)</sup> This is the case, for example, of civil society groups which are fighting against the privatization thrust of the technocracy. In the case of the privatization of the water sector, the reality for non-governmental organizations (NGOs) is that they have been generally locked out of crucial negotiations between the government and private concessionaires when they were trying to reach a compromise because of the failure of the latter to perform its tasks. As pointed out by Jude Esguerra of the Bantay Tubig (Guard the Water) Network,

the entire regulatory and arbitration set-up was to blame for the absence of transparency and consumer representation in dispute-settlement processes related to water issues. Consumers and taxpayers have been deprived of our right to have our grievances heard, while water companies can have the arbitration panel convened whenever they are unhappy with the decisions of the Regulatory Office.<sup>50)</sup>

### *Economic Policy-Making in a Period of Globalization*

What has further protected technocracy from public criticism is the transnational character of economic policy-making, i.e.,

the economic policymaking has created a state of affairs where the Philippine government is more accountable to the institutions of global governance, such as the World Bank (WB), International Monetary Fund (IMF), and WTO, alongside the states which exercise hegemony within and over these establishments, than to its citizens. Relationships with these players in the global trade regime are bestowed with so much importance, either by intention or by sheer mendicancy of the government, such that responsibility to its public is often compromised. (Quinsaat 2006, 33)

The motto of these international financial institutions (hereinafter referred to as IFIs) is to insulate the technocrats from the political pressure on economic decision-making. Thus, even if the country is in a political crisis, the measures are still there to keep the economy going. This is certainly a *déjà vu* of the martial law period whereby the technocrats found its strength from the support of the IMF and the WB when it was besieged by criticisms of its policies not only from the Marcos cronies but also from the business community and the social movements. The neoliberal ideology is also preserved by the bilateral agreements forged by the Philippines with countries particularly the United States which single-handedly has insulated any attempt to subvert the technocrat's liberalization policy. This was seen, for example, when upon pressure from civil society actors in the local hog industry, the government attempted to secure protection for the

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49) Brillantes (1997) in Quinsaat (2006).

50) Bantay Tubig Network (August 9, 2003).

hog industry imports. This was effectively shot down by the United States, the country's most influential trading partner (Ariate 2006).

*B. Civil Society Challenges to Technocratic Economic Decision-Making in a Period of Democratization*<sup>51)</sup>

Despite all these “safeguards” to technocratic policy-making, the reality is that in a period of democratization one still has to continue to deal with political interest groups which they view as “the *virtual enemy* of rational social organizations.” The challenge for technocracy in the democratization process is to replace political and interest group leaders with technical trained experts who “stand above” the political process” (Fischer 1989, 24). Such is an arduous task for the technocracy because as the country democratizes, civil society members are able to explore ways and means by which they intervene in the nature of economic decision-making during the post-martial law period. The most lethal combination is when they are able to team up with national and local officials as well as legislators who do not agree or are adversely affected by the technocrat's economic policies.

*Transparency and Accountability in a Period of Democratization*

The 1986 People Power Revolution which toppled the dictator and the ouster of President Joseph Estrada in 2001 for corruption has given impetus to civil society to raise the issue of the need for transparency and accountability in government in general and on its economic policy-makers in particular. This was depicted in civil society's vigilance with regards to the transparency and accountability of technocracy in cash rich government-owned and controlled corporations (GOCCs). Technocrats occupying positions in GOCCs are now heavily scrutinized specially when their respective GOCCs are losing money<sup>52)</sup> or even bankrupt like the Social Security System (SSS) and the Government Service Insurance System (GSIS). Every month, around 10% to 30% is withheld from government and private sector employees which go to the GSIS and the SSS respectively for their pension fund. The accusation is that these GOCCs employ technocrats who pay themselves high salaries, e.g., USD9,000/month, when these GOCCs are losing money.

51) For further details, please see Lopez Wui and Tadem (2006).

52) The bulk of the country's deficit is accounted for by the national government at P67.5 billion and the 14 monitored GOCCs with a registered aggregate deficit of P9.6 billion. There are a total of 76 GOCCs. Among the 14-monitored GOCCs are the Philippine National Oil Co. (PNOC), the Philippine Economic Zone, the Manila Waterworks and Sewerage System, the National Power Corp., the National Housing Authority, the Light Rail Transit Authority, and the Philippine Ports Authority (Lema 2005, S1/1).

The perception is that it is alright to pay these technocrats this amount if the GOCC was earning money, recognizing the fact that “the best and the brightest” can only be enticed to work for government if the pay can be more or less equal than that of the private sector. The problem, however, was that this was not the case with the GOCCs. Thus, this was such an “immoral” thing to do particularly when the average Filipino employee earns less than USD200/month (Ibon Facts and Figures 1984, 7).

### *The Adverse Effects of Globalization*

The adverse effects of the technocrat’s push for the country’s rapid globalization has also brought about the alliances of civil society with major political actors to counter act this among which are the following:

Alliance of civil society and local government officials. Civil society has allied with local government officials whose communities have been adversely affected by the country’s liberalization policy. This was seen in the case of the Benguet vegetable industry in Northern Luzon.

Seeing that the industry could no longer compete with the influx of the imports of cheaper vegetables, the local government officials linked up with the communities and civil society groups like the Fair Trade Alliance (FTA),<sup>53)</sup> through its convener, former Senator Wigberto Tañada and the *Kilusang Magbubukid ng Pilipinas* (Peasant Movement of the Philippines [KMP]), through its chairperson, Rafael Mariano.<sup>54)</sup>

FTA was instrumental in the preparation of position papers, particularly on the trigger price<sup>55)</sup> for vegetables. The alliance also facilitated its participation in consultations in various agencies and institutions. (Quinsaat 2006, 40)

Alliance of civil society with legislators. Another way by which civil society exerted its pressure on technocratic policies on globalization was through its alliance with sympathetic legislators. Although in general, the legislators accept the technocrats’ neoliberal vision, there are also those who do not agree with it and bring out their opposition in the

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53) “FTA is a coalition of various industries, businessmen, labor unions, and NGOs working to review and reverse the country’s trade policies and commitments in order to provide better protection for local industries” (Quinsaat 2006, 40).

54) Raul Molintas (Former Governor, Province of Benguet). 2004. Interview by the Sharon Quinsaat. September 28 (Quinsaat 2006); Johnny Uy (Board Member, Province of Benguet). 2004. Interview by Sharon Quinsaat. Tape recording. September 21 (*ibid.*).

55) Trigger prices are levels that determine supply situation in the market. Once a trigger price is breached, importation is allowed (Cabreza 2002).

legislature. This was seen in the case of the Benguet vegetable industry whereby

the relentless lobbying of like-minded legislators, mainly from party-list groups such as Representatives Loretta Rosales of *Akbayan* and Satur Ocampo of *Bayan Muna*, in tandem with a privilege speech delivered by Benguet solon Samuel Dangwa underscored the impact of vegetable importation to the livelihood of the farmers. (*ibid.*, 45)

Rosales also criticized the secrecy of government in its WTO negotiating positions and gave the problems of the vegetable industry ample space in the legislative arena (*ibid.*).

Alliance of civil society with transnational activists. The era of globalization has also seen the alliance of civil society with transnational activists in questioning the technocrat's plan of action. An example of this is

the Labor Forum Beyond MFA<sup>56</sup>) which was formed in early 2003 through the efforts of the International Textile, Garment and Leather Workers' Federation (ITGLWF) Philippines in order to examine problems experienced by the garment industry in view of the expiration of the MFA and to prepare the workers for the quota phase out. . . . (Lopez Wui 2006, 133)

The important objectives of the dialogues are for the labor organizations to engage in collective action and assess the efforts of employers and government in connection with the quota phase-out. The outcome of all these dialogues was the revival and reestablishment of the Clothing and Textile Industry Tripartite Council (CTITC) (*ibid.*, 135).

Civil society alliances within the business community. Like the martial law period, there are members of the business community who are also critical of technocratic policies which impinge on their profits. In particular, a similar issue which has emerged in the post-martial law period is their objection towards the policy on trade liberalization, particularly, the entry of cheaper imported products. It is with this sector of the business community where alliances have been formed as can be seen for example in the hog industry with the emergence of the Agricultural Sector Alliance of the Philippines (ASAP) in 2001. ASAP consists mainly of feed miller's and hog raiser's associations and cooperatives, and other civil society actors in the industry. They launched a confrontational posture against the state with regards to the importation of cheaper meat products.

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56) The Multi-Fiber Agreement (MFA) grants favorable quotas to Philippine garment exports. This, however, expired in January 2005 upon the country's ascension to the rules of the WTO (Lopez Wui 2006, 112).

Another alliance formed in 2004 was the Meat and Hog Dealers Association of the Philippines (MHDAP) which together with the Slaughterhouse Operators Association of the Philippines (SOAP) would figure prominently in a meat holiday in March 2004 (Ariate 2006, 94).

### *The 1997 Asian Financial Crisis*

The 1997 Asian financial crisis also severely questioned the soundness of technocratic policies espousing rapid economic liberalization. In light of this, civil society have called for the need to institute safety nets to cushion the blow of liberalization. Moreover, the perception is that government should not lower the tariffs for imports without its regard for its effects on the local industry (Lopez Wui 2006, 111). These arguments have put pressure on the need for the state to take on its responsibility towards the underprivileged and to preserve public interest. Thus, unlike the neoliberal perspective, the state should not wither away but assert its role vis-à-vis the forces of globalization particularly in the aspect of imposing strong social regulation.

Civil society in alliance with sympathetic fellow technocrats. It is within this context that civil society is able to forge alliances with sympathetic technocrats who are not completely sold out to the neoliberal ideology and believe that safety nets and strong government social regulation is needed as opposed to the unbridled unleashing of the economic forces of globalization and the market economy. One of this is former NEDA Secretary General of the Ramos Administration Cielito Habito. Another is former DTI and Department of Agriculture (DA) Undersecretary Ernesto Ordonez. As noted in the experience of the Benguet vegetable farmers, Ordonez was deemed as the most sympathetic to their plight “because of his instantaneous response to the problem of importation.”<sup>57)</sup> He was active in bridging the gap between the agency and civil society and was key to the latter’s influencing decisions in the DA.”<sup>58)</sup> This situation is quite different as compared to the martial law period whereby although there were factions within the Philippine technocracy in terms of economic perspectives, none of these factions allied with members of civil society or social movement players.

Civil society and electoral candidates. Unlike the martial law period, another factor which

57) Alangdeo, Alfredo (Chair, Benguet Vegetable Distributors’ Cooperative). 2004. Interview by Sharon Quinsaat. Tape recording. September 21 (Quinsaat 2006); Kim, John (Board Member, Province of Benguet). 2004. Interview by Sharon Quinsaat. Tape recording. September 20 (*ibid.*).

58) Fongwan, Nestor (Mayor, Municipality of La Trinidad, Benguet). 2004. Interview by Sharon Quinsaat. Tape recording. September 22 (Quinsaat 2006).

impinges on the technocracy's economic decision-making is electoral politics. Economic policies, for example, tend to be sacrificed by technocrats who have political ambitions. This was in the case of "former Department of Trade and Industry (DTI) Secretary Manuel 'Mar' Roxas, who although is a supporter of consumer-oriented globalization was opposed to increase in tariff rates . . ." (Quinsaat 2006, 43). When civil society supporting the Benguet vegetable industry went against cheap vegetable importation found out that Roxas had political aspirations and with national elections fast approaching, civil society together with the local officials, "tried to win over Roxas by insinuating that the support of the Cordillera<sup>59)</sup> voting public would be dependent on his stance on further trade liberalization in agriculture, especially vegetables. Thus in the end, he capitulated and supported the actions of civil society" (*ibid.*, 44).

### *The Failure of the WTO Uruguay Round*

The failure of the Philippines to pursue economic gains during the WTO Uruguay Round whereby civil-society groups were locked out of the domestic negotiation process, resulted in a highly controversial and tumultuous battle on the ratification of the treaty in 1994 (Cajiuat and Regalado 1997). The trade representatives were castigated for keeping the public in the dark on the various concessions they had signed up the Philippines into. They earned the ire not just of social movements but industries as well. As a consequence, the implementation of the GATT-UR lacked the requisite support from its stakeholders. Thus, there are technocrats in government who believe that sound economic policy-making can only be with the support of its stakeholders. This was the case of DA Undersecretary Segfredo Serrano who formed the Task Force on the (Re)negotiations of the WTO Agreement on Agriculture or TFWAAR in 1998 (which later became TF-WAR in 2001) to include stakeholders who are directly affected by the WTO to be part of the shaping of the Philippine negotiating strategy in the WTO. The motto of the TF-WAR is not to "junk" the WTO but to assume a "protectionist" and "defensive" position in the negotiating process. Technocrats like Serrano exemplify as "reformist" technocrats who are not hardcore neoliberals and are open to other paradigms.<sup>60)</sup>

### *C. Patronage Politics and Technocratic Decision-Making<sup>61)</sup>*

The bigger challenge, however, for technocracy during the post-martial law period is

59) Benguet province is part of the Cordillera region in Northern Luzon.

60) Please see Borras Jr. (1998). Please also see Tadem (2009; 2010b).

61) For further details, please see Tadem (2010a).

the prevalence of patronage politics which continues to impinge on technocratic decision-making which was exacerbated during the martial law period. The technocrats, in general, have to continue to contend with what is referred to as a “patrimonial state,” i.e., “where practically everything depends explicitly upon personal considerations.”<sup>62)</sup> During the post-martial law period, it was hoped that crony capitalism will disappear with the advent of globalization. But this, however, is not the case as globalization has failed to address the problem of such a state which is lacking the “vision, autonomy and bureaucratic capacity necessary to implement a developmental program” (Budd 2005). The reality is that globalization has only promoted capitalism but not the institutions that are necessary for democratic consolidation (*ibid.*, 54). A result of this is the emergence of partisan politics which has taken its toll on the implementation of economic policies. This can be seen in the attempt of the technocrats to provide an efficient and regulatory state which “uses rules, standards and other public statements as major policy instruments, rather than relying on direct provision of goods and services” (Hague and Harrop 2004, 318). The challenge here is that the regulatory agency is able to insulate itself from external and social forces which may adversely affect the implementation of coherent and effective policies (Molmisa 2006, 167–168). This can be seen in the case of the National Telecommunications Commission (NTC), the regulatory body in-charge of the telecommunications industry. Although the NTC’s strength can be seen in its effort to implement measures to combat mobile text frauds,<sup>63)</sup> which according to the Anti-Money Laundering, have ripped about P5 million from the victims in 2003,<sup>64)</sup> it also continues to be affected by partisan politics. “At present, the term of appointment of commissioners depends on the confidence of the President of the country. The Congress can also determine its annual budget appropriations.”<sup>65)</sup> This opens the NTC to influence-peddling and rent-seeking activities particularly in securing a legislative franchise (*ibid.*, 169).

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62) Weber (1968, 104) in Budd (2005).

63) “Under the text scam, hoax messages are being sent to the unsuspecting victims using the name of Bangko Sentral ng Pilipinas (Central Bank of the Philippines), the Philippine Charity Sweepstakes, the Philippine Amusement and Gaming Corporation (PAGCOR) and other institutions advising the victims about winning a huge amount of prize. The swindlers often instruct their prey that the latter should first deposit a considerable sum of money to the former’s bank account, allegedly for tax payments and other fees as a requirement to getting the prize” (Molmisa 2006, 190).

64) *Today* (April 16, 2004).

65) Esfahani (1994) in Molmisa (2006).



*The Political Crisis of Legitimacy*

Such a situation is severely aggravated when there is a crisis of leadership. Generally,

the state is seen as the institution that can stand above the destructive play of competitive interests and thus only the state is potentially capable of providing the coordinating leadership needed to oversee a complex technical societal process. (Fischer 1989, 12)

Such a role, however, cannot be performed by the state when there is a crisis of leadership which seems to have always sealed the fate of Philippine technocracy. This was seen during the martial law years when President Ferdinand Marcos was removed in office by the 1986 People Power Revolution. Together with him went the technocrats. The same could be said for President Joseph Estrada's technocrats in Cabinet who were replaced in the advent of the EDSA 2 Revolution in January 2001. Almost the same fate seems to lie with the technocrats of the Arroyo Administration. Because of the questions raised whether she is truly the President of the Philippines, having come to power because of a popular uprising, President Arroyo was very much determined to win a formidable mandate during the 2004 national elections. Because of this, the perception was that she wanted to win at all cost. One of the first casualty of this was Finance Secretary Isidro Camacho who resigned a couple of months before the 2004 national elections saying that economic policies could not be implemented until after the elections. This implied that economic policies should give way to political considerations.

After the elections, there was hope that the government's economic policies could now be implemented but her administration was plagued with a series of scandals which broke out beginning in April 2005. Foremost of this was the "*jueteng* gate" and "Hello Garci Tapes" scandals. *Jueteng*, which is an illegal numbers gambling game and is mainly condemned by the Church, is said to have benefited the President's relatives, that is her husband, First Gentleman Jose Miguel "Mike" Arroyo, her eldest son and Pampanga Vice-Governor Juan Miguel "Mikey" Arroyo, and her brother-in-law, Negros Representative Ignacio "Iggy" Arroyo. They were accused of receiving millions of pesos coming from *jueteng* proceeds. *Jueteng* was the same issue which brought down President Estrada. The *jueteng* scandal, however, was nothing compared to the "Hello Garci Tapes" scandal which followed it in May 2005. This was with regards to wire-tapped tapes which revealed President Arroyo talking on the cellphone to Commission on Elections (COMELEC) Commissioner Virgilio Garcillano during the counting of the ballots in the May 2004 national elections. Garcillano was based in Lanao del Norte, Mindanao. The public perception was that she was asking Garcillano to pad the votes so she could win by at least one million votes giving her a formidable mandate over her closest opponent,

the actor Fernando Poe Jr.<sup>66)</sup>

Because the political scandal was getting in the way of implementing the government's economic policies, President Arroyo's economic and social technocrats<sup>67)</sup> pressured her to confess to the public that indeed it was her voice and to apologize for this in the hope that this will lessen the backlash. They believed that this was causing political instability which hindered the implementation of their economic policies. President Arroyo agreed and said she was "sorry" to the public for her "lapse of judgment." The technocrats went a step further by demanding the President to send her husband away because of the *jueteng* scandal among others, and to fire officials identified with him such as Edgar Manda of the Laguna Lake Development Authority (LLDA) and Efraim Genuino of the Philippine Amusement and Gaming Corp. (PAGCOR).<sup>68)</sup> Her husband agreed to going away but "vigorously opposed the sacking of officials identified with him." When it became clear to the technocrats that President Arroyo was not going to let go of her husband's cronies, particularly, Genuino, 10 of them, seven Cabinet Secretaries and three Bureau Directors, resigned on July 10, 2005 and held a conference at the Hyatt Hotel to announce their resignation. They became known as the "Hyatt 10" (Lirio 2005) and they were led by Cesar Purisima,<sup>69)</sup> President Arroyo's former Secretary of Trade and Industry who later on became the Secretary of Finance when Camacho resigned. Purisima said that he could no longer stomach the politics which was going on which sacrificed the economic policies which were already set in place and read the group's

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66) There was an order from a very powerful figure in Malacanang to wiretap the cellphone of Garcillano who was given millions to run the special operations for the May 10, 2004 elections to ensure President Arroyo's victory (Zamora 2005, A6).

67) The economic and social technocrats included Secretaries Cesar Purisima (finance), Florencio Abad (education), Corazon "Dinky" Soliman (social welfare), and Emilia Boncodin (budget), and presidential adviser on the peace process Teresita "Ging" Delez. They urged Ms Arroyo to address the "Hello Garci" controversy (Lirio 2005, A4).

68) Genuino is reported to have delivered *jueteng* money to church leaders including Cardinal Ricardo Vidal of Cebu. Vidal justified this by saying that the money he received from PAGCOR went to development projects. He also said he stopped accepting money from PAGCOR when the Catholic Bishops Conference of the Philippines (CBCP) resolved that no one in the Church should receive donations which come from gambling money. Genuino was also reported to have made 15 calls to Garcillano from May 25 to June 14, 2004 in his effort to put "Bigkis Pinoy Movement," a party-list hopeful founded by him (Genuino) and Mike Arroyo's close allies, in the winning circle (The *News-break* Team 2005, 25).

69) Purisima used to be the Chair of Sycip, Golez and Velayo (SGV), the country's top accounting firm. The "Hyatt 10" consisted of the economic and social technocrats who called for President Arroyo to confess to the "Hello Garci" tapes as well as Trade Secretary Juan Santos, Agrarian Reform Secretary Juan Villa, National Anti-Poverty Commission Chair Imelda Nicolas (sister of Carnation Inc. President Loida Nicolas Lewis), Internal Revenue Commissioner Guillermo Parayno Jr., and Customs Commissioner Alberto Lina.

statement entitled “Of Leadership and Credibility.” The others who called for her resignation was former President Aquino and members of the Makati Business Club (MBC).<sup>70)</sup>

The “Hello Garci Tapes” scandal, thus, brings forth the reincarnation of the martial law years squabble between the technocrats and the cronies. During the martial law years, close relatives and cronies of President Marcos benefited from government-awarded contracts and outright corruption to the chagrin of the technocrats and the IMF/WB. Such a practice seems to have continued during the post-martial law period. President Aquino, for example, has been accused of having her “Kamag-anak Inc” (Relatives Incorporated), while some have found President Ramos guilty of granting independent power producer (IPP) contracts to close friends. President Estrada was also known for his drinking sessions with friends who composed what was called his “midnight cabinet.” It was during these “midnight cabinet” meetings whereby contracts would be signed according to his former Chief of Staff Aprodicio Laquian who was immediately fired after saying this publicly. As for President Arroyo, her “Achilles heel” is said to be her husband, Mike Arroyo, who had a “Wednesday group” which some Palace staff members have referred to as the “Shadow Cabinet” (to distinguish it from the official Cabinet which meets every Tuesday) (*ibid.*).

There were technocrats, however, who stood by Mrs. Arroyo foremost of whom was Romulo Neri, a professor of Business Administration of the UP, Diliman. Neri, when he was the Socio-Economic Planning Secretary and Director-General of the NEDA was implicated in a corruption scandal involving a Chinese corporation ZTE with regards to a bid to implement a national broadband network (NBN) in the Philippines. Upon his interrogation by the Senate Blue Ribbon Committee, Neri disclosed to the Committee members that he told President Arroyo that Commission on Election (Comelec) Chair Benjamin Abalos, offered him P200 million (USD45 million) to approve the deal. Referred to as the ZTE-NBN scandal, if approved, the Philippine government would have accepted to build the NBN at a cost of USD329 million, double the actual cost by some estimates, although the same project could have been built at no cost to the government. Neri, however, refused to give full disclosure of Arroyo’s involvement in the ZTE-NBN deal.<sup>71)</sup> Furthermore, he invoked Executive Order (E.O.) 464 “which bars officials from testify-

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70) Contreras *et al.* (2005, A1, A2). In a joint briefing on that day at the Peninsula Manila, the Makati Business Club (MBC) and the Financial Executives Institute of the Philippines (FINEX), the groups said that “the resignation of the Cabinet officials illustrates the loss of confidence in the President and her ability to advance economic and social development programs” (*ibid.*, A1). The others who called for her resignation was former President Aquino and then Senate President Franklin Drilon.

71) (Doronila 2009, A1).

ing in congressional inquiries without the President's permission."<sup>72)</sup>

*"National Security" as Priority over Economic Policies*

These scandals further magnified the "crisis of legitimacy" bringing about the call for the President's impeachment. Although the opposition in Congress lacked the numbers to impeach her, current Senate investigations of questionable government economic transactions continue to bring forth the "vulnerability" of the present government. Such a "vulnerability" plunged the President's rating to as low as negative 74.7% with 65% of the public wanting her removed from office (Rivera 2005). Some have looked at this as ripe for a military take-over. Because of this, the Palace decided that economic reforms should now take second place to national security. That is, the technocrats will now play second fiddle to government officials, i.e., the Palace's political "spin doctors," tasked to defend the presidency.<sup>73)</sup> The adverse impact of such a political rearrangement on the decision-making powers of the technocracy were seen in the following instances:

*"Flip-flopping" on the E-VAT Law*

One of the economic policy casualties of the political crisis was the delayed implementation of the expanded value-added tax law<sup>74)</sup> or E-VAT law which is aimed to increase the revenues, particularly from taxes on fuel and power to solve the country's fiscal deficit.<sup>75)</sup> It is also considered to be the Arroyo administration's key measure to resolve the fiscal problem. Although the imposition of the E-VAT law has been passed as a law by Congress, it was suspended because a case was filed against it in the Supreme Court.<sup>76)</sup> Purisima and former Trade Secretary Juan Santos accused Malacanang of being behind such an action in the government's attempt to assuage the public who would suffer from

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72) Doronila (2009, A1).

73) These include Executive Secretary Eduardo Ermita, Environment Secretary Mike Defensor, Chief of the Presidential Management Staff (PMS) Rigoberto Tiglao, and political adviser Gabriel Claudio. Transportation Secretary Leandro Mendoza and Public Works Secretary Hermogenes Ebdane, both of whom came from the military, were also recruited to the President's inner circle, presumable to handle Garcillano and the "Hello Garci" witnesses (Lirio 2005, A4).

74) The E-VAT law is estimated to generate as much as P31 billion in incremental revenue in the second half of the year, and P105 billion annually starting in 2006. The law will also give President Arroyo a standby authority to raise the VAT rate from 10% to 12% next year (Remo 2005b, A7).

75) Under the proposed 2006 budget, "expenditures are placed at P1.09 trillion, while the expected revenue collection is at P968.6 billion, thus resulting in a deficit of P124.9 billion" (Remo 2005b, A7).

76) The Supreme Court thus issued a restraining order (RTO) which the Department of Finance wanted to contest (Remo 2005d, A1).

the added tax on commodities. This was one of the major reasons why both chose to resign.<sup>77)</sup> Administration legislators, including her close economic advisers and the main backer of the E-VAT law Albay Representative Joey Salceda and former government technocrat Senator Manuel A. Roxas, have also filed separate resolutions on September 16, 2005 to delay the implementation of the E-VAT law. For Roxas and Salceda<sup>78)</sup> “including petroleum and power sales in the E-VAT law’s coverage now would add misery to marginalized Filipinos already suffering from soaring transport expenses and electricity bills. Such a position could be expected from these technocrats-turned-politicians because of the fear of a political backlash from their respective constituencies. Malacanang was said to be open to such a proposal.<sup>79)</sup> On October 18, 2005, however, the Supreme Court declared the E-VAT law as constitutional and the government has currently implemented it.

### *Re-thinking Debt Payments*

Because the political crisis came at the heels of the worldwide oil price hikes, the Arroyo administration also began to re-think economic policies which will further plunge the popularity rating of the President. One of this re-thinking is in the area of debt payments. This is because the government has been allocating at least 30% of its annual budget to interest payments. According to the Department of Finance, interest and principal debt eat up nearly 90% of government revenues (Remo 2005c). In relation to this, Finance Secretary Margarito Teves<sup>80)</sup> said he was open to the idea of seeking debt relief as a partial solution to the country’s lingering fiscal problem. He, however, added that “the

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77) Remo (2005d, A1). Purisima because of such a statement was charged with contempt by the Supreme Court. This was because the Supreme Court read his statement to mean that President Arroyo allegedly influenced the Supreme Court into suspending the implementation of the E-VAT law (Nocum 2005, A6). He was ordered to pay a fine of P30,000.

78) Both Roxas and Salceda are “former fund managers who remain in close contact with the financial community” (Cabacungan 2005a, A7). Salceda was a former student of President Arroyo in economics and is the principal conduit of policy advice of the UP School of Economics to President Arroyo in the formulation of the fiscal reform program (Salceda 2005).

79) Cabacungan (2005a, A1, A7). The call for the postponement of the E-VAT law also “comes at a time when a survey by the Social Weather Stations (SWS) from August 26 to September 5, 2005 showed that 15.5 per cent of the households nationwide consider themselves as having ‘experienced hunger’ or nothing to eat at least once in the past three months” (*Philippine Daily Inquirer* 2005a, A1).

80) Teves’ appointment as Finance Secretary to succeed Purisima was hailed by the business community. For Albay Representative Joey Salceda, American-educated Teves as a banker is respected in the business community. “As a practicing economist, he has the confidence of financial markets and credit rating agencies. As a three-term congressman, he has the skills to navigate difficult fiscal reforms through the legislative mill” (Cabacungan and Remo 2005, A1).

task of communication with foreign creditors regarding the possibility of relieving some of the Philippines' external debts, however, should be left with people outside the government's economic team." Such a position was a turnaround from Teves' predecessor Purisima who said that seeking debt relief could adversely affect the country's capability to access future loans.<sup>81)</sup> Then Speaker of the House of Representative Jose de Venecia, on the other hand, introduced a "debt-for-equity-swap" proposal which was announced in August 2005 in President Arroyo's five-minute speech at the United Nations (UN) General Assembly. Under such a proposal, "... the debt service, or principal amount, should be converted into equity in new projects of at least equal value and with their potential earnings." These are specifically intended to finance programs under the UN's Millennium Development Goals which aims to reduce the incidence of poverty in the world by half by 2015.<sup>82)</sup>

#### *D. The Failure of Technocratic Policies to Address Poverty and Socio-economic Inequalities*

In the meantime though, for the post-martial law technocrats, the reality staring them in the face is that the billionaires during the time of Marcos are still the billionaires now.<sup>83)</sup> These criticisms are vindicated with the failure of the economic policies of the post-martial law technocrats to address the country's worsening poverty where 27 million or nearly a third of the population of 92 million live in poverty (Esguerra 2010). As the Arroyo government departed, the government incurred a P162 billion deficit which is 55% or more than half of the targeted P293 billion in total (Bello 2010). On a comparative perspective, "the United Nations Development Program's Human Development Report revealed that the Philippines registered the lowest average yearly growth rate, 1.6 per cent in Southeast Asia in the period of 1990–2005. This was lower than Vietnam (5.9%), Cambodia (5.5%) and Burma (6.6%)" (*ibid.*). The technocratic policies for economic development has also failed to address the socio-economic inequalities which has perennially characterized Philippine society. Statistics reveal that "the richest five per cent of the households' account for nearly a third of the national income and the poorest 25 per cent of the households getting only six per cent of the income." This is according to the World Bank's *WB Development Report of 2006* (Dumlao 2005). These socio-economic inequalities have also been exacerbated by the end of the Arroyo Administration in June

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81) Remo (2005c). The WB has earlier on "discouraged the Philippines from talking about debt relief, saying it was counter-productive. Unlike Africa, WB country director Joachim von Amsberg said that the Philippines has access to debt markets. The strategy now is how to get the best access" (*ibid.*, B5).

82) Remo (2005c).

83) Cabacungan (2006).

2010. Although the country's economic growth "hit an unexpected high of 7.3% during the first quarter of 2010, this was credited to her controlling the runaway budget deficit, largely through the passage of key fiscal reforms in 2005 despite widespread opposition" (Macaraig 2010). But as noted by UP economist, Cayetano Paderanga Jr. and now, the new Aquino government's Secretary of Economic Planning, much of the growth came from a few sectors, namely the remittances from millions of Filipino overseas workers<sup>84</sup> and a flow-on boom in consumer spending, plus earnings from call centers and other outsourced business. "These sectors, though, are all out of reach of the millions of poor, who have largely missed out on any benefits of economic growth" according to Paderanga and the Dean of UPSE Arsenio Balisacan (*ibid.*).

## Conclusion

This article has, therefore, shown the factors which have strengthened as well as weakened the political clout of Philippine technocracy during the martial law and post-martial law periods. During the pre-martial law period, technocracy drew its strength from the support of the leadership which shared its vision for economic development. The contentions which ensued here were between two factions of technocracy, i.e., the technocrats in the NEC which were for an import-substitution and heavy industrialization policy as against the technocrats in the PIA and later on the PES, which favored an export-oriented industrialization, liberalization, and more incentives for foreign incentives. Under President Marcos, the latter faction of technocracy was favored. For this faction, the other political hurdle to technocratic economic policy-making during this period was Congress where one had politicians who had economic interests which went against their development policy as well as those who were nationalists and opposed to the incursion of multinational corporations in the country. But their opposition was readily overcome because of the political acumen of Marcos in dealing with them which was buttressed by the leadership's received his political allies in Congress.

With the declaration of martial law, the strength of technocracy continued to draw from the support it received from the leadership. It, however, would also encounter opposition to its policies but of a different kind as during the pre-martial law period. The

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84) Because of the failure of technocracy to address poverty in the country, there continues to be the exodus of Overseas Filipino Workers (OFWs) "which began in the 1970s during the martial law period and which persists today." The estimated 8.2 to 11 million OFWs are considered to be the country's number one "export." As of 2009, their remittance amounted to USD1.5 billion per month or a total of P17,348,052 billion for 2009 (POEA 2010).



“martial law” technocrats, for example, as represented by the Virata faction no longer had to deal with technocrats espousing import-substitution as well as political opposition from Congress which was abolished but it had to deal with other technocrats who had other economic perspectives and had their own pipeline to the President. Thus, there was no solid technocratic bloc. Like during the pre-martial law period, technocratic policy also had to give way to patronage politics as in the favoring of crony interests particularly in the very vital sugar and coconut industries and to the interests of the leadership’s relatives as epitomized by no less than the First Lady Mrs. Marcos. Like during the pre-martial law period, the martial law technocrats would pursue the IMF and WB line of development and because of this, they received the assistance needed by the country for their economic objectives. Their role as the facilitator of IMF and WB loans to the country was the major political leverage of the Virata faction of the technocracy. Such a political leverage would be translated into the perception of technocracy as the bulwark against corruption in government. Economic and political crisis would wreak havoc on the political clout of the technocrats. In the case of the former, the global economic crisis would severely impinge on the local economy and the capacity of the technocrats to access the needed loans for the country. The situation was further aggravated with the country’s political crisis as triggered by the assassination of ex-Senator Benigno Aquino and Marcos’ failing health. All these gave further fuel to the burgeoning anti-dictatorship movement as brought about by the regime’s human right’s violations, corruption, and failed economic policies leading to the downfall of the dictatorship and with him, his technocrats.

During the post-martial law period, the technocrats’ political leverage would also continue to rely heavily on the support it gets from the leadership. But unlike the martial law period, their economic vision of neoliberalism would also be carried by not only the executive but also the majority in Philippine Congress and in other important sectors of society such as the business community and the academe. As during the martial law period, their economic ideology would be perpetuated externally by institutions of global governance such as the IMF, the WB, and the WTO as well as multinational banks. If the left movement during the martial law period spearheaded the opposition against technocratic policies under the umbrella of the anti-dictatorship movement, in a period of democratization, this was carried out by civil society. The failure of the technocrat’s economic policies to address poverty and socio-economic inequalities as exacerbated by the adverse effects of globalization as epitomized by the 1997 Asian financial crisis brought about the emergence of civil society alliances with prominent allies sympathetic to their cause. These include local government officials, legislators, fellow technocrats, members of the business community, electoral candidates, and transnational activists



among others.

The other formidable challenge to technocratic decision-making continues to be patronage politics and massive corruption which characterizes Philippine society. More often than not, this continues to sacrifice economic policies. Such a situation is further aggravated by the political crisis of legitimacy which has brought down another Philippine president and with him his technocrats. In the case of President Arroyo, the crisis of political legitimacy as brought about by political and economic scandals has witnessed priority being given to “national security” over economic policies. The mass resignation of key economic and social technocrats under the Arroyo Administration because of the issue of corruption was the first in Philippine history which highlights the political leeway which technocrats are able to pursue in a period of democratization. Furthermore, these technocrats actively campaigned for the ouster of President Arroyo and failing to do so, heavily campaigned for the election of President Benigno S. Aquino. With the latter’s victory, these former Arroyo technocrats are now back in power. The challenge now is for the Aquino administration’s technocrats to show that it is politics and not economics which is to blame why the Philippines continues to be the basket case of Asia.

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